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C O N F I D E N T I A L SECTION 01 OF 02 MANAMA 000666

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NEA/ARP, EEB/ESC/IEC/EPC FOR GLENN GRIFFIN
COMMERCE FOR 4520/ITA/MAC/ONE/THOFFMAN

E.O. 12958: DECL: 07/15/2017

TAGS: [ECON](#) [ENRG](#) [EPET](#) [ETRD](#) [PGOV](#) [PREL](#) [BA](#) [ECTRD](#) [REGION](#)

SUBJECT: OIL MINISTER HIGHLIGHTS EXPLORATION PLANS, LOOMING
GAS SHORTAGE

REF: A. MANAMA 600

[1](#)B. MANAMA 419

[1](#)C. DOHA 202

Classified By: Ambassador William T. Monroe, reasons 1.4 (b) and (d).

SUMMARY

[1](#)1. (C) Minister of Oil and Gas Affairs Mirza briefed the Ambassador July 11 on the strong interest shown by international oil companies in pursuing exploration tenders in Bahrain. Mirza hoped that offshore exploration would lead to discoveries of gas, which could ease a looming gas shortage that Bahrain would begin to feel in 2010. Stressing that getting sufficient natural gas was an issue of national interest, he expressed hope that the USG could sway ExxonMobil to provide Qatari gas to Bahrain. End Summary.

CONSERVATISM DETRACTS FROM OVERALL PROGRESS

[1](#)2. (C) The Ambassador, in his July 11 farewell call to Minister of Oil and Gas Dr. Abdul Hussein Ali Mirza, commended Bahrain for its openness and progress on trade issues in the wake of FTA implementation. However, he pointed to the discordant note struck by certain initiatives such as recent moves to ban alcohol and conservative parliamentarians' opposition to Bahrain's "Spring of Culture" (a series of cultural events featuring artistic, yet suggestive, modern dance performances condemned by Islamists).

[1](#)3. (C) The Ambassador wondered if this might have an impact on Bahrain's plans to promote the country for tourism and as a regional hub for western countries to operate out of. "You told us to pursue democracy - that's what democracy will do," Mirza replied. However, he noted that the Shura Council served to temper agendas that might be advanced by extremists. He also said there were influential Bahraini liberals who opposed the extreme agendas of the Islamist block and predicted that the make-up of the next elected parliament would reflect a popular backlash against conservative elements.

OIL EXPLORATION PROSPECTS REVIEWED

14. (C) The Ambassador asked about press reports which indicated that several oil companies were preparing to bid for exploration concessions on four offshore blocks that were up for tender (Ref. B). Mirza stated that 24 oil company officials had visited Bahrain to view the seismic field data.

He said there were nearly 60 additional companies who had also expressed interest in the tender. Interested companies would need to submit their bids by September 19th. The National Oil and Gas Authority, which he chairs, hoped to announce the winning bid or bids by year-end. Mirza said prospects were good for new oil and gas discoveries in the off-shore blocks. Development was very commercial under current pricing.

15. (C) Mirza said that, apart from the four offshore blocks tender, from six to ten selected companies would be invited to bid on a project to develop Bahrain's Awali field. He noted that there had been no fresh oil discoveries in Bahrain since the discovery of the Awali field in 1932, but he added that Bahrain has a large quantity of unrecoverable proven reserves. He said that one of the prospective invitees, a well-known American firm which he declined to name, had promised to double Bahrain's recoverable reserves. That bid will close in October.

16. (C) The Ambassador asked what conditions were contributing to such strong interest on the part of foreign oil companies to explore in Bahrain. Mirza identified four factors. First, the transparency of the Tender Board assured bidders that they would have a genuine opportunity to compete in Bahrain; second, exploration technology has improved to the point that previously inaccessible reserves can be discovered and exploited; third, oil companies realized that all of the easily recoverable oil has already been discovered, and

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fourth, oil that could not have been cost-effectively recovered when oil was trading at \$10 per barrel was now quite attractive at \$70 per barrel.

IRANIAN GAS IRRESISTIBLE?

17. (C) While Mirza was optimistic that offshore exploration could lead to fresh discoveries of gas, he noted Bahrain's looming acute need for gas beginning in 2010. He said that by 2012 Bahrain would need an additional billion cubic feet of gas per day. The country currently produces 1.4 billion cubic feet per day and has plans that would raise this figure to 1.7. Mirza said he had initially been cheered by reports that ExxonMobil had released an allocation of Qatari gas (Ref. C). However, when Bahrain offered to buy the gas, Qatari officials responded that it had already been reallocated. Nevertheless, the Qataris promised that Bahrain would be first in line for any new gas commitments after a study reviewing its existing commitments was completed.

18. (C) The Ambassador expressed continuing concern over reports of Bahrain's discussion on acquiring gas from Iran (Refs. A and B). Mirza responded that the GOB would prefer not to acquire Iranian gas, but said that if Bahrain were unable to acquire gas from its preferred supplier, Qatar, then Bahrain would have no choice. "Qatar and Iran are our only two possibilities." He continued that it was up to Bahrain alone to ensure that its future needs were met. "If we run out of gas, nobody will help us." Mirza then relayed an observation passed to him by a third-country diplomat, who suggested that "if the U.S. doesn't like the idea of Bahrain's acquisition of Iranian gas, it should put pressure on ExxonMobil to supply gas to Bahrain." He noted that ExxonMobil has a relationship with Qatar Petroleum.

COMMENT

19. (C) Bahrain's future needs for gas will be acute. Without additional supplies, the country will soon face power outages. Anything that can be done to encourage ExxonMobil and/or the Government of Qatar to meet Bahrain's supply needs would certainly be beneficial.

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